

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0958-02
Bill No.: HB 421
Subject: Taxation and Revenue - Sales and Use; Business and Commerce
Type: Original
Date: March 26, 2013

Bill Summary: This proposal would exempt gains on the sale of gold and silver coins from state income tax, and would provide for the storage of gold and silver coins in private repositories.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	(More than \$13,633)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue Fund	(More than \$13,633)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Section 408.010, RSMo. - Nonbank depositories

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

SOS officials also assume that the nonbank depository businesses which would be allowed if this proposal is enacted would constitute a new and currently unregulated segment of the financial services industry. Accordingly, SOS officials assume there would be a cost to their organization to create and implement an electronic registration system for these businesses. SOS officials assume the cost to implement this system would be at least \$370,000 per year, to be paid from the General Revenue Fund.

The SOS response included costs for five additional employees and related equipment and expense totaling \$363,527 for FY 2014, \$369,365 for FY 2015, and \$373,034 for FY 2016.

Oversight does not have any information regarding the number or size of businesses which could be involved in the nonbank depositories which would be created if this proposal was enacted. Further, Oversight assumes that initially, only a limited number of such businesses would initially be in operation. Accordingly, Oversight will include an unknown cost for staff, equipment, and expense to regulate the newly created businesses.

ASSUMPTION (continued)

Oversight also assumes the Office of the Secretary of State would implement registration and other fees to support the cost of regulating the new businesses. Oversight assumes that the General Revenue Fund would receive sufficient revenue from these fees to support the cost of regulating the businesses after the first few year of operation. For fiscal note purposes, Oversight will assume that those revenues are unknown but less than the cost of developing and operating the registration and regulation system for those businesses for FY 2014, FY 2015, and FY 2016.

The SOS response also indicated there would be a cost for OA - ITSD (SOS) to create the new registration system; SOS officials provided an estimate of \$37,500 for the software and \$2,500 per year for maintenance but stated they had not been not able to review that estimate with OA - ITSD (SOS).

Oversight will include an unknown cost in this fiscal note for OA - ITSD (SOS) to develop and implement the new registration system in FY 2014. Oversight assumes the cost to maintain the system would be nominal and could be absorbed with existing resources.

Officials from the **Joint Committee on Administrative Rules** assume this proposal would not have a fiscal impact to their organization in excess of existing resources.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would not result in additional costs or savings to their organization.

BAP officials noted this proposal could result in an unknown decrease to General and Total State Revenues due to the deduction from taxable income of capital gains incurred from certain exchanges of gold and silver coins.

Officials from the **Department of Insurance, Financial Institutions, and Professional Registration** assume this proposal would have no fiscal impact on their organization.

ASSUMPTION (continued)

Section 143.111, RSMo. - Income tax exemption

Officials from the **Department of Revenue (DOR)** stated the proposal would allow a deduction from Missouri taxable income for any capital gains income from the exchange of gold or silver coins which is included in Missouri adjusted gross income.

IT impact

DOR officials provided an estimate of the cost to implement the IT portion of this proposal of \$13,633 based on 504 hours of programming to make changes to DOR systems.

DOR officials did not indicate any administrative cost for this proposal, and **Oversight** assumes any DOR costs could be absorbed with existing resources.

DOR officials also stated they could not determine if this proposal would have an impact on Total State Revenue.

Oversight notes this proposal would exempt any gain on the sale of gold and silver coins from state income taxes, and assumes this would cause a reduction in revenues for the state General Revenue Fund. Oversight does not have any information as to the number or amounts of such transactions in the state and will indicate an unknown revenue reduction for fiscal note purposes.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
GENERAL REVENUE FUND			
<u>Revenue</u> - SOS			
Nonbank depository regulation			
Registration and other fees	Unknown	Unknown	Unknown
<u>Cost</u> - SOS			
Nonbank depository business regulation.			
Section 408.010			
Salaries, benefits, equipment, and			
expense	(Unknown)	(Unknown)	(Unknown)
IT cost	(Unknown)	<u>\$0</u>	<u>\$0</u>
<u>Total costs</u> - SOS	(Unknown)	(Unknown)	(Unknown)
<u>Cost</u> - DOR			
Income tax deduction for gain on sale of			
gold and silver coins.			
Section 143.111			
IT cost	(\$13,633)	\$0	\$0
<u>Revenue reduction</u> - DOR			
Income tax deduction for gain on sale of			
gold and silver coins.			
Section 143.111	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON	(More than		
GENERAL REVENUE FUND	<u>\$13,633</u>)	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact on a small business involved in buying, selling, or storing gold and silver.

FISCAL DESCRIPTION

This proposal would exempt gains on the sale of gold and silver coins from state income tax, and would provide for the storage of gold and silver coins in private repositories.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State
Joint Committee on Administrative Rules
Office of Administration - Division of Budget and Planning
Department of Insurance, Financial Institutions, and Professional Registration
Department of Revenue



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